

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 60-9

May 2, 1960

## AMENDMENT OF REGULATIONS IN 26 CFR PART 280

### Dealers in tobacco materials:

**Purpose.** This industry circular is to advise you that regulations in 26 CFR Part 280, relating to dealers in tobacco materials, have been amended by Treasury Decision No. 6457 published in the Federal Register of March 24, 1960, (25 FR 2480) effective June 1, 1960, and to acquaint you with some of the amendments.

**Background.** The Treasury decision implements the Internal Revenue Code of 1954, as amended by the Excise Tax Technical Changes Act of 1958, and makes certain clarifying and conforming changes in the regulations.

**Amendments.** Subpart E, "Qualification Requirements," has been amended to delete the provisions relating to permits, since dealers in tobacco materials were eliminated from the permit system by Public Law 85-859. Section 280.61, "Establishment and places of storage," provides that an establishment of a dealer in tobacco materials in which he carries on such business may consist of more than one building, or portions of buildings, provided such buildings are located in the same internal revenue region and that records covering the receipt and disposition of all tobacco materials are maintained at a designated building in the establishment. Buildings or portions of buildings, in any location in the United States, in addition to those comprising the establishment, may be used by a dealer in tobacco materials in connection with the operation of his establishment, as warehouses solely for storage, insofar as tobacco materials are concerned, if he maintains at the designated building in that establishment the required records covering the tobacco materials at each such place of storage.

Since dealers in tobacco materials were eliminated from the permit system, section 280.62, "Corporate documents," section 280.63, "Articles of partnership or association," and section 280.64, "Trade name certificate," are eliminated. The only document that is required to be submitted to, and approved by, the assistant regional commissioner, for a person to qualify as a dealer in tobacco materials, is the bond, Form 2101, as set forth in section 280.65. Dealers in tobacco materials are not required to furnish a diagram of their premises, but will describe in the bond, Form 2101, the buildings and portions of buildings which constitute the establishment by listing each such place by number, street, and city, town, or village, and State. Places used for the storage of tobacco materials need not be listed in the bond; however, under the terms of the bond, the bond applies to materials stored in such places. Presently qualified dealers in tobacco materials need not furnish a new bond on Form 2101, but may continue to operate under their existing bonds, unless the assistant regional commissioner requests such new bond.

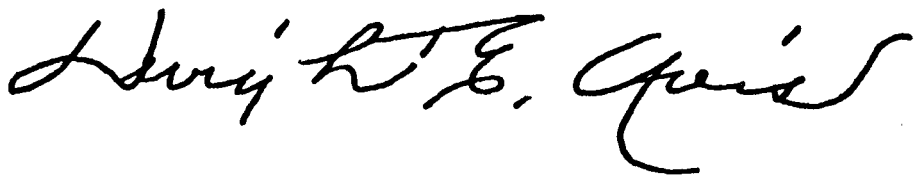
Section 280.89 is deleted. This means that it will no longer be necessary for you to notify the assistant regional commissioner of the addition or discontinuance of places of storage. The needs of the Revenue Service are satisfied because the records required to be kept by section 280.127 will disclose the locations where tobacco materials are stored.

Section 280.53 exempts a bona fide association of farmers or growers of tobacco, marketing leaf tobacco grown by farmer or grower members, from the provisions of 26 CFR Part 280, if such association maintains records of all leaf tobacco acquired or received and sold or otherwise disposed of by the association. This section, as amended, prescribes no particular form of records, but requires that information be readily ascertainable from the records maintained and that the records be retained for two years following the close of the year covered in such records and made available for inspection by any internal revenue officer upon his request.

Section 280.54, "Speculator," makes it clear that a person who (a) buys leaf tobacco on the floor of an auction warehouse of a qualified dealer in tobacco materials, places the tobacco on the floor of such warehouse for resale, and does not remove the tobacco from the warehouse, or (b) buys leaf tobacco from a farmer or grower, places the tobacco on the floor of an auction warehouse of a qualified dealer in tobacco materials for sale, and does not remove the tobacco from the warehouse, or (c) purchases and sells warehouse receipts for tobacco materials without taking physical possession of the tobacco materials covered thereby, is, with respect to such operations, exempt from qualification as a dealer in tobacco materials and from the other provisions of 26 CFR Part 280.

Section 280.106, "Approval of bond and extension of coverage of bond," provides that the bond and all extensions of coverage of bond must be retained by the dealer in tobacco materials in the building of his establishment in which the records are maintained and must be made available for inspection by any internal revenue officer upon his request.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your assistant regional commissioner (alcohol and tobacco tax).



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